

Approved For Release 2001/04/09 : CIA-RDP80-05246A000100120013-8

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Comptroller

DATE: 6 APR 1956

FROM : Chief, Technical Accounting Staff

SUBJECT: Staff Study Re Change in Method of Preparing Vouchered Fund Payrolls

1. PROBLEM:

To determine whether a "computation" method of payrolling, a mechanized leave system and, a mechanized bond accounting method should be adopted for the vouchered fund payroll in order to effect economies in the payroll and related operations.

2. FACTS:

- a. There are two major methods in use by Government agencies for preparing payrolls, namely, the so-called "exception method" and the so-called "computation method". This Agency follows the exception method for both the vouchered and confidential fund payrolls. Agencies which have converted to the computation method, which involves more extensive utilization of electric accounting machine methods to save manual processing, have experienced substantial savings over the previously operated exception method; however, before adopting the computation method they have eliminated manual processes such as centralized manually-posted leave records and manually-maintained accounting records for bond deductions.
- b. In considering the feasibility of the computation method for this Agency, initially as it would apply to the vouchered fund payroll, it becomes necessary to determine methods for eliminating certain present manual operations. Based upon an experimental installation in the Agency of a centralized mechanized leave system it is apparent that such a system could be applied to advantage in lieu of the centralized manually-maintained leave records. Also, many Agencies have adopted a simple electric accounting machine procedure for bond deductions, which with the present substantial volume of vouchered fund employees participating, could be adopted with resulting economies to this Agency's vouchered fund payroll.
- c. In this Agency the cost of vouchered fund payroll operations under the present system covering approximately [REDACTED] employees is approximately [REDACTED] per annum for each employee. This cost includes the cost of personnel and machines used in the payroll operation and also includes an estimated [REDACTED] per annum for each employee to cover the cost of recording leave and distributing checks.

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- d. Another Government department with 14,000 employees has been using the computation method for its payroll operations for more than one year. This department reports a cost of \$7.00 per annum for each employee serviced. This cost includes the cost of personnel and machines used in the payroll operations. The payroll section is, however, not responsible for the recording of leave or for the distribution of the salary checks and the reported cost does not include the cost of these services.

3. DISCUSSION:

a. Present Exception Method

Under the present vouchered fund payroll method used in this Agency, approximately 65 percent of the payroll action changes are processed on electric accounting machines and 35 percent are processed manually. The Payroll Branch maintains a manual control over all permanent payroll actions showing base pay and the standard deductions for retirement, tax and FICA. These deductions are determined from the standard salary tables prepared by the General Accounting Office. All pay for employees on duty for 80 hours and their additional compensation, if any, are computed on tabulating machines. All EOD actions, promotions, periodic step increases, separations, payments for less than 80 hours and adjustments are computed manually.

b. Computation Method

Under the computation method a master control would be maintained on the annual salary of each permanent change and all earnings and deductions other than separations and adjustments would be computed on the electric accounting machines. These computations would be based on the same formula used in preparing the standard salary tables, and the earnings and deductions will agree with the amounts shown in these tables. It is estimated that under this system 90 percent of the present manual computations of personnel actions would be eliminated inasmuch as only resignations and adjustments would be computed manually.

c. Controls

- (1) Under the computation method payroll operations would be controlled as effectively as under the present payroll procedure, as follows:
 - (a) Controls would be maintained on annual salary, hours worked, and hours absent in such form as to comply with the requirements of the General Accounting Office.
 - (b) Each calculated amount would be recomputed by reversing the factors and comparing the result with the original computation.

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- (c) The master card file each pay period would be audited to prove the maximum additional compensation payable for each employee.
- (d) A bond control would be maintained for proof of bond balances and the amount of bond deductions credited to the bond file.
- (e) Controls would be established as now maintained for manual computations.
- (2) Tab A shows details of the proofs of computations, control registers, and a comparison of controls maintained under the present exception payroll method with the controls which would be maintained under the computation method.

d. Operating Costs

- (1) It is estimated that the vouchered funds payroll can be processed with a total of 20 employees if the computation method is adopted. This estimate is based on the Machine Records Division's experience with payroll processing and electric accounting machines and on the experience of another Government department now using the computation method. It is believed that a further reduction in the number of employees may be effected under the proposal after the mechanized leave system is established.
- (2) The reduction in the number of employees engaged in vouchered fund payroll operations from 30 to 20 as set forth in Tab B would effect a savings of approximately \$36,000 per annum and would reduce the cost to [REDACTED] annum for each employee serviced.

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e. Equipment

- (1) The electrical accounting machine equipment now in use in the Machine Records Division meets the machine requirements of the computation method.
- (2) No additional equipment of other types would be required.

f. Organization

- (1) The maximum reduction in the cost of payroll operations would be accomplished under the computation method under an organizational arrangement whereby all personnel engaged in payroll processing, and the responsibility for all payroll operations, were assigned to the Machine Records Division. The computation method permits the assignment of work on a functional basis which would result in the maximum use of the services of each employee. The volume of work of each function of payroll processing varies materially during each pay period and the ability to assign work on a functional rather than unit basis would assure more effective administration.

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- (2) The computation method might be operated with part of the payroll operations being assigned to the Fiscal Division and the balance assigned to the Machine Records Division. This arrangement would be entirely unsatisfactory unless the personnel assigned to payroll processing were located in adjacent space. Even then the employees would in effect have two supervisors which would not permit the functionalization of work assignments to the degree that could be accomplished were all personnel assigned to one supervisor.
- (3) If the computation method were adopted and the responsibility for all payroll operations assigned to the Machine Records Division, the additional personnel required in the Machine Records Division would be selected from the employees presently engaged in payroll operations in the Payroll Branch of the Fiscal Division.
- (4) Tab B presents the Table of Organization now approved for payroll operations, and the estimated table of organization requirements under the computation method if all responsibilities of payroll operations were assigned to the Machine Records Division. The total reduction in T/O would result in the release for other purposes of 10 T/O positions.

g. Space Requirements

- (1) The assignment of the payroll operations to the Machine Records Division would necessitate the allocation of approximately 1800 square feet of additional space to this division to accommodate the employees and equipment which would be transferred to it. This space should be adjacent to the space occupied by the other employees of this division.
- (2) If the functions of the Payroll Branch of the Fiscal Division were assigned to the Machine Records Division, the space requirements of the Fiscal Division would be reduced by approximately 2240 square feet.

h. Schedule for Installation

- (1) The installation of the computation method could be accomplished in three phases as follows:
 - (a) Bond method effective with the pay period beginning 6 May 1956.
 - (b) Computation method of determining pay effective with the pay period beginning 17 June 1956.

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- (c) Mechanized leave method installed on a staggered basis by payroll allotments beginning in September 1956 with complete installation by the first leave period for calendar year 1957.
- (2) The above schedule would permit the installation of the new procedures in an orderly manner and in accordance with fiscal and calendar year requirements.
- i. Simplification of Operations Re Bond Accounting
 - (1) Two types of bond deduction arrangements offer some difficulty with respect to the mechanized bond accounting method, namely:
 - (a) Cases (of which there are 35) involving alternate owners where the employee requests bonds to be issued alternately in names of separate owners, and
 - (b) Cases (of which there are 13) where employees request bonds to be issued to more than one owner.

Difficulties involved in "(a)" above can be overcome largely by requesting the employees to authorize bond deductions in such a manner that the savings bonds will be issued to separate owners whenever sufficient funds are available to pay for the denomination of bond requested. The difficulties involved in "(b)" above can be handled satisfactorily under the mechanized procedure; however, some additional costs are incurred, but not sufficient to justify at this time a recommendation that such arrangements be modified.

4. CONCLUSIONS:

It is concluded that:

- a. The adoption of the computation method for payroll operations would result in a reduction in the cost of performing these functions.
- b. The mechanized method of bond accounting be adopted as well as the mechanized centralized leave system; in order to simplify the mechanized bond accounting method, the cases of alternate bond owners be converted to multiple owners, as described in subparagraph "3i" above.
- c. The assignment of the responsibility for all payroll operations to the Machine Records Division would result in the maximum reduction in costs that could be effected under this system.
- d. The adoption of the computation method with the assignment of certain payroll functions to the Payroll Branch of the Fiscal Division and other functions to the Machine Records Division would result in a

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reduction in costs but the reduction would be substantially less than the savings that could be effected if all payroll operations were assigned to one component.

- e. The adoption of the proposed schedule set forth in subparagraph 3h, above, would permit the orderly installation of the system without interruption of service.

5. RECOMMENDATIONS:

It is recommended that:

- a. The Agency adopt the computation method for payroll preparation, the mechanization of bond accounting, and the mechanized leave method, and in connection with the mechanized bond accounting, action be taken to eliminate cases where bonds are issued alternately to separate owners.
- b. The responsibility for all operations relating to the vouchered payroll be assigned to the Machine Records Division.
- c. The installation of the recommended changes be scheduled in three phases, as set forth in subparagraph "3h" above.
- d. Arrangements be made for sufficient additional space to be assigned to the Machine Records Division adjacent to its other operations by 17 June 1956 to accommodate the personnel and equipment that would be transferred to this Division; in the event this space cannot be provided by the conversion date, an estimated [REDACTED] will be required under the computation method until such time as adjacent space is available.
- e. The Machine Records Division be redesignated as the "Machine Accounting Division" in keeping with the payroll accounting function recommended for transfer thereto as well as other accounting functions now performed by the Division.

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CO [REDACTED]

Chief, Machine Records Division

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Acting Chief, Fiscal Division

5 April 1956

Date

6 April 1956

Date

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The recommendations set forth in paragraph 5 are approved.

APPROVED:

Date

Comptroller

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